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BRIBERY BY TAX EXEMPTION

By Frank Chodorov

In case you haven't heard, please be advised that the government needs money. It is therefore casting covetous eyes on the billions that escape its clutches by way of tax exemption. Some 20,000 corporate bodies in this country enjoy the dispensation, granted because they put their funds to purposes that yield no pecuniary profit and are presumed to be in the public interest — like religion, education and philanthropy. Since, by inference, political activity is not deemed to be in the public interest, the exemptees are forbidden to engage in it.

The Internal Revenue Bureau plans to make public the names of these 20,000 privileged bodies, together with the names of their directors. This exposure, it is expected, will encourage the hounds of the press to make sport of the exempt foundations, toward the end that de-exempting legislation may find public support. The listing is promised for the end of the year. It is a good guess that the scriveners are now sharpening their pencils for the attack and that IRB brains are thinking up bills to throw at Congress as soon as it convenes in January.

It is a pretty penny that escapes the tax collector by exemption. Not only are the incomes of these vast institutions immune — whether these incomes are derived from endowments, contributions or profits earned in their extensive real estate and commercial enterprises — but a good part of what is given them is deductible from the incomes of the donors. Also, such real estate as they occupy is free of local levies, and many states and cities relieve them of sales taxes. All in all, a sum worth looking into.

The general line of attack on the exemptees can be foretold, because their vulnerability is a matter of common knowledge. They will be accused of (a) engaging in activities that are not eleemosynary, but are actually profitable commercial enterprises making use of the tax-exemption to swell their profits; (b) of tax dodging; (c) of meddling in affairs that are in the prohibited area of politics.

On the score of tax-dodging the evidence is all too obvious. When a university or a church buys up the real estate of a department store and then leases the premises to the former owners, there is no question but that the prime purpose is to shave taxes.

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A university or a foundation that engages in the publishing business has a decided tax advantage over a commercial publisher, and it is only human that it exploit this advantage. A college president or a minister is not required to include in his taxable income the maintenance cost of the home provided for him.

It would by hypocritical to condemn the exemptees for such practices. We are all of us intent on finding some loophole in the tax laws through which a dollar or two can be plucked from the hands of the tax-collector. It is a natural, and a national, preoccupation — nothing to be ashamed of — and is not confined to colleges, churches, foundations or rich men. Hence, when a tax-exempt foundation seems to have no other purpose than to legally provide an indigent relative of the founder with a lucrative sinecure, we ought not to cry "shame". More power to the exemptee!

The tax-collector, of course, does not look at it that way; his business is to grab every cent in sight. We can therefore look forward to legislative attempts to foreshorten the tax-exemption privilege.

In tackling legislation for that purpose, the bureaucrats who write bills will be faced with the colossal difficulty of definitions. Just what is "charity", or "education", or "religion"? The best minds in the world have been struggling with these concepts for ages, and it is not likely that Congressmen can come up with clear and concise definitions in one session. However, the bureaucrats will help them over the pitfalls of lexicography by making definitions to fit the *a priori* purpose. It is an old political trick.

In 1950, the Administration undertook to squeeze a few of these tax-exempt foundations, and the method employed was exactly this one of making a definition to fit a purpose. This thimbleful of foundations, comparatively small and depending on contributions, are engaged in distributing literature critical of collectivism and extolling the virtues of a limited government. The Administration found them irritating. It determined to ruin them by finding them engaged in political activities and therefore not entitled to tax-exemption. If these foundations lost that privilege, their supporters, no longer able to deduct contributions to them from their taxable incomes, would certainly be less liberal.

So, the Administration got its Congress to set up a committee for the investigation of lobbies — organizations that are avowedly interested in legislation, and therefore not entitled to exemption privileges. The first thing the committee did was to invent a new definition for the word "lobbying". They came up with the novel idea that any effort to influence legislation, no matter how indirectly, comes under that head. Logically,

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then, a minister who speaks against war would be a lobbyist, and so would every professor who analyzes any politically volatile subject. Since legislation is presumably the result of ideas, any effort to disseminate ideas that might eventually be written into law would be, under that arbitrary definition, a political effort.

Though the definition did not receive legal sanction — perhaps because the methods of the "investigating" committee flooded Congress with a foul odor — the threat had its effect. To save their special privilege — on which their existence depends — the "investigated" foundations (and the few others of like character) have been more scrupulous than ever about the wording of the literature they put out; never must a political personage be mentioned, nor a specific piece of legislation; the language must under all circumstances affect an "educational" aloofness.

It would be unfair to say that these organizations have been bribed, by exemption, into conformity. But, they have certainly been scared into pusillanimity.

THE INCOME TAX laws lend themselves to this subtle form of bribery — or is it blackmail? It is inherent in the Sixteenth Amendment. When the Amendment was under discussion, in the early part of the century, its proponents were careful to point out to educators and clerics that not only would their institutions be exempted, but that their supporters would be allowed to deduct contributions from their taxable incomes. The clerics and educators saw the advantage this would give them in the solicitation of funds: "you might as well give it to us as to the government". They did not oppose the bill.

Though it would be hard to prove that the current trend toward collectivism among clerics and educators is an offshoot of this bribery, the inference that it has an influence is justifiable. For twenty years the government's centralization policy has had the loyal support of most churches and colleges. Cause and effect? It is odd that while the economic textbooks most widely used in our colleges are loud in their praise of the graduated income tax, no mention is made of applying it to educational institutions. One wonders how the professors would react to the proposition to withdraw the exemption privilege from the institutions that pay their salaries.

Is it a coincidence that the monstrously wealthy foundations have subsidized only such "research" projects as happen to give support to the policy of the Administration? That they have financed the writing and distribution of books favorable to the UN, the Marshall Plan, devaluation, our disastrous Far East program? That they have helped only professors with pronounced New Deal tendencies? By any definition these efforts

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must be described as political in purpose, and yet the lobby "investigation" committee never called these foundations to account.

In his well-documented booklet, *The Bias of Great Wealth,* Frank Hughes relates how the funds of foundations bearing the names of Ford, Rockefeller and Carnegie fell into the hands of men of the ideological bent of Ruml, MacLeish, Neibuhr, Hutchins, Merriam — to say nothing of Alger Hiss. What else could be expected? These beneficiaries of the great fortunes were ideologically in tune with the party in power; they had an "in" with the Administration. The legal trustees of these foundations could hardly have picked management of a different turn of mind, or supported ventures deprecatory of New Dealism. They have privileges to protect.

IN THE INTEREST of honesty, of liberty of the mind, the elimination of all tax exemptions is most desirable, and the most rabid anti-taxationist should wish the Internal Revenue Bureau success in that purpose. If we are to have income taxation, let there be no loopholes, not even for churches or schools or so-called eleemosynary institutions. Perhaps then we would have unfettered churchmen, professors whose intellectual integrity is not warped, and, above all, men who would put their money to what they believe in without asking "is it deductible?"

We have seen personal exemptions dropped to the point where individuals in the lower income brackets find it impossible to live on what the government assumes to be sufficient. If, according to the law, a man ought to be able to rub along on $600 a year, why should the Carnegie Foundation and the Rockefeller Foundation be allowed to dump untaxed millions into the laps of the Institute of Pacific Relations, and its Lattimores?

The suggestion to drop all exemptions is not an endorsement of income taxation. Not at all. Nor does it arise from any fatuous hope that the income tax law may be more equitably administered. That which is inequitable in principle cannot be made equitable by administration. The income tax law derives from the denial of private property, which is an immorality, and no amount of tinkering with it can make it anything else. On ethical grounds, we must look with favor on any legal scheme that will permit some of us to escape the clutches of the robber State.

On the other hand, the effect of exemption, as noted, is to bribe individuals and institutions into acquiescence with the denial of private property. If there were no exemptions, there might be a general effort to do away with the Sixteenth Amendment altogether. And that would be a long step in the struggle for freedom.

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HUMAN EVENTS

FRANK C. HANIGHEN, *Editor* FRANK CHODOROV, *Associate Editor*

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The Third Man: The apparently excellent news photos of the General and the Senator — hands clasped in suddenly discovered fraternal feeling — actually were imperfect.

They failed to bring out a shadow that fell athwart the effort of Taft and Eisenhower to attain party harmony. This shadow, unrecorded by the camera and unnoticed by commentators, was that of another five-star general — MacArthur.

Taft has spoken. MacArthur remains silent. While he does, the *union sacrée* of Taft and Ike must still be a fractional, a partial, untested thing. Our investigation by letter and long distance 'phone, since the meeting of the two men, shows that it is an alliance which gives courage to the politicos, but leaves the average voter tepid, if not cold.

We do not mean to suggest that MacArthur has any political power in the technical sense of that word, that the pathetically amateurish attempts to draft him have or ever did have any validity. But no one, who closely watched the great popular movement (malevolently mis-named the Old Guard and frustrated by the state bosses and political machines) to nominate Taft, missed the point. It was a Taft-MacArthur (or vice versa) movement. Taft provided the political leadership; MacArthur — the "lift of the heart", the patriotic fervor.

Hence, unless MacArthur is brought into this picture, unless the Third Man imparts to the new alliance the essential spiritual value, it will remain a politicians' creation, a device "to get votes", "to get elected".

Ike successfully wooed Taft. He must next win over his old military mentor. The soldier and man, Eisenhower, will fear that assignment. For to win MacArthur — as Taft learned — involves being won to the lofty and uncompromisingly American concepts of that great figure. And it would involve, supremely, a revolutionary overturn in the whole Republican campaign.

Case of the Subtle Civil Servant: More than discreet interest is given here to the troubles of a government employee named Miss Miriam de Haas, who has long been known as the nemesis of subversives in the Civil Service Commission Loyalty Board. Last week, the Commission suspended her from her job, without pay.

On release of the news, many observers here jumped to the conclusion that the Commission so acted because she had allegedly leaked out certain highly secret minutes of the Board to Senator Joe McCarthy, who revealed them in the course of his campaign against subversives in government. However, McCarthy denies that he had received the document from Miss de Haas or even that he knows the lady. After some investigation, we believe that the Senator obtained the secret minutes not from Miss de Haas but from persons in quite another agency of the government.

The story of the de Haas case — and it may well become a *cause celebre* — is something quite different. The heads of Civil Service did suspect Miss de Haas of passing the document to McCarthy or an intermediary some six months ago. But, as time went on, they failed to uncover any evidence to support this. However, to tighten security, they transferred Miss de Haas to another job. The suspension came when they learned of quite another activity of the lady civil servant — her appearance, on summons, before the Federal Grand Jury sitting in Washington.

Now, the Civil Service Commission has acquired a reputation of lax handling of subversives, just as Miss de Haas has acquired a reputation of dealing very strictly with such people. Perhaps it was

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awareness of this that made the CSC intensely and anxiously curious about what their employee told the Grand Jury.

Nervousness — it is reliably reported — won over prudence when the Commission crudely asked the lady to disclose what she had said within the locked doors of the jury room. And the Commission met with a subtle refusal. For the lady was in a position to reply, with perfect propriety and legality, that under the law she cannot reveal proceedings before a Grand Jury. Few men of law would differ with her on this point. Then the Commission, perhaps to invoke what they deem a higher law, suspended her.

So, Washington is awaiting developments. Will there be a knock-down court fight (for the lady has her lawyers) on the issue of whether the law of bureaucratic discipline rates higher than the law of the land? Determination of this point in the negative might have surprising implications. For instance, bureaucrats who place the national interest higher than Executive ukases, might then testify to congressional committees with perfect freedom, without fear of retaliation by their superiors. On the other hand, if a verdict goes against Miss de Haas, then the iron curtain against what is called "McCarthyism" would be double-sealed.

New Communist Line: Expert students of Communist tactics believe that the Kremlin has launched a new "line" of international "neutralism", of collaboration with "bourgeois" elements to weaken the global stand against Communism. This will replace the Revolutionary "line" which has controlled the Communist network since 1946.

This kind of shift is no novelty in the history of the Communist International. The same thing took place in 1935 when the Popular Front was started. It was this Popular Front which brought about the fall of France and which enabled the Communists to obtain so great a power over the Democratic Party in the United States. It eventually enabled the Soviets to carry off the fruits of World War II and its peace settlement of Yalta and Potsdam.

A year ago, the HUMAN EVENTS correspondent in Paris, Bertrand de Jouvenel, ventured the prediction that this shift was coming. More recently, the publicly announced return of Maurice Thorez, French Communist leader, to power after some years of retirement was a straw in the wind. Thorez led the Popular Front in France in the Thirties. The famous Cominform organization, initiated as the instrument for the revolutionary line which began in 1946, is now sinking into obscurity. New front organizations are making their appearance.

This week, some French labor figures utilized by the Communists in their new phase will mingle with the delegates to the American Federation of Labor convention in New York. They will strive to sow the seeds of "neutralism" in the American labor movement.

War Criminals: Laments still go on to the effect that Germans "aren't doing their part" to meet the Soviet menace, that they're shirking their "world responsibilities" by failing to re-arm. The corollary is that anyhow "you can't trust a German". Yet the Germans can hardly be blamed for such an attitude, in view of some evidences of how the Western powers treat the Communist menace. Such as — for instance — an item from Frankfurt reported on September 11 by the *Chicago Tribune* Press Service.

"The Americans", remarked the newspaper, *Frankfurter Allgemeine Zeitung*, "lock up our soldiers, from Marshal down to corporal, who fought for four years against the Russians, together with persons convicted of spying for the Soviets against the western nations." The German paper was referring to Landsberg prison where more than 300 German officers and soldiers are serving terms for so-called war crimes, together with Communist spies.

"This reveals", went on the Frankfurt paper, "very little political sensitivity. It is not the worst of it, however, for the Red agents have been asked to submit petitions for parole. Under this parole

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system the spies will be set free after having served one-third of their terms while the so-called German war criminals must serve two-thirds of theirs before they have any chance of being freed."

Housing: Rent controls in Britain have produced fantastic symptoms of landlord distress. According to an A.P. dispatch from London on September 11, some owners of rental property have actually paid tramps to take their houses off their hands. Reason: the Government controllers compel landlords to keep their property under repair, even though they are operating at a loss because of low rent ceilings. Rents have been frozen on unfurnished dwellings at virtually pre-war levels.

Mr. A. G. Anderson, of the National Federation of Property Owners of England, says he has personally disposed of several houses this way on behalf of owners. "This procedure is to find a tramp and pay him two or three pounds to accept title to the house", says Anderson. "Future liability is thus escaped and the property is abandoned, leaving the local council either to take it over or let it fall down."

In Scotland, there's another dodge. "The owner forms a limited company with a capital of 1,000 pounds ($2,800)", he explained. "A limited company's liability is limited to its resources under the law, and the owner escapes that way." By this method of "dumping white elephants", eighty-three buildings containing more than 2,000 dwelling units have been dropped by their owners since 1946.

Revisionism in Britain: The English weekly, *Truth*, seeks to restore a balance to the prevailing view that Premier Chamberlain was wrong in his "appeasement of Hitler" policy and that Churchill and the anti-appeasers were correct. Professor Arnold Toynbee, upholder of the latter view, is *Truth's* target. Toynbee is co-editor of a current book *The World in March, 1939*, in which the prevalent thesis is maintained. "The Professor", says *Truth*, "would seem to be prodigal of other men's blood. Macchiavelli, whom he invokes, would have been more considerate than he of the need to conserve Western lives and energies. Knowing that Hitler's mind was orientated, he certainly would not have accounted it statesmanlike to place any obstacle in the way of the drive to the East. Who, surveying the world today, can doubt that wisdom lay in building up strength while allowing the Germans and the Russians to fight it out on the distant steppes?"

Truth quotes the Forrestal diaries on one passage in which former Ambassador Kennedy told Forrestal that Chamberlain complained to him (Kennedy) that America was forcing Britain into war.

It will be of interest to American revisionist historians that *Truth* also chides the American Rockefeller Foundation for its help in preserving the myth of Churchill the Hero and Chamberlain the Villain; that Foundation provided financial assistance for *The World in March, 1939*, which Toynbee helped edit. *Truth* says: "Does the Rockefeller Foundation, which is finding thousands of pounds for the work, prefer propaganda to a cool assessment of the facts?"

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One is a Crowd: By Frank Chodorov. Introduction by John Chamberlain. New York: The Devin-Adair Company; $2.75. Reviewed by Garet Garrett.

As I read the essays Frank Chodorov has brought together under the title, *One Is a Crowd*, calling them the reflections of an individualist, I think of George Borrow's vagabond who sat by the roadside preparing to dine on an onion. You become absorbed in the slow and thoughtful ceremony with which he peels the onion. Then suddenly you begin to feel the relation of the man to the onion and the relation of one simple act to the rhythm of all life, and there is knowledge in it. Knowledge of what? There is the mystery. Nevertheless, it is knowledge.

This vagabond was an individualist who knew the price, who knew it deep in his belly, and yet paid it in a grand manner. So is Chodorov. And so also is Chodorov an onion peeler. Observe him

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take such a thing as everybody has seen or felt or heard — a word sign so familiar that we read it only with the eyes: a collective noun like society, the question what is a Jew, or that pillar of freedom's temple which we call our inalienable rights without knowing precisely what we mean or remembering how the pillar gets there. Where do inalienable rights come from? Neither society nor government can confer them; certainly the individual cannot confer them upon himself. So they come from the Creator. But the atheist also may believe in them. He may say they derive from the natural order of things. That leaves the natural order of things to be explained.

Whatever the onion may be, Chodorov says nothing very profound about it. That is not what he means to do. But as he removes first the skin and then slowly one layer after another, with an air of perplexed and musing abstraction, you are seized with premonitions of meaning. Unexpected questions thrust themselves upon you. Why is man neither solitary nor gregarious, but both, so that he cannot live at peace either with himself or with his kind? That is not his question. It is yours. He has made you ask it. If there is any answer it may appear one layer deeper, or one more after that — but wait! The alarming thought occurs to you that unless the process stops in time there will be a last layer, and after that — nothing.

He stops in time, whether on purpose or because he cannot go any further you do not know. On purpose probably, since he is at the very end an optimist, and cannot help it. A cancerous fear in the heart of man now is telling him that he may be wiped out. In that case it will be as if our precious civilization had never existed. But it is more likely, says Chodorov, "that nature will defeat science, that despite the most thorough job of killing we might devise, at least one boy and one girl will escape, so that a new generation will arise to worry about what went on before they arrived".

His forbodings nevertheless are grim. Political power is ascendant over social power. The mass man is rising; the individual is falling. This he sees clearly and deplores nothing. He finds a kind of glee in letting the blood of the deplorers too. They are a fatuous lot and their literature is a waste of paper. "It is not, however, the inadequacy of their literature that spells the doom of private property but the inadequacy of the would-be anti-socialistic leadership behind it. It is inane, stupid, ignorant and, above all, lacking in integrity. With such leadership the case for private property is lost."

Why have they never learned anything from the enemy? From Marx and Engels to Attlee and Wallace, the socialist tacticians have flattered the ego of the mass man by calling him the will of the people. Secondly, they have never made the mistake of lying to him about what he knows. And thirdly, they have won him "by appealing to the intelligence they know he did not have".

In the struggle for the mind of the mass man the defenders of private property have been outplayed. Moreover, they have been incredibly stupid. They had on their side the logic of economics — the fact that only through private property may society achieve abundance. They had also morality on their side — the fact that if a man is denied exclusive possession and enjoyment of what he produces he is reduced to something less than a man. Notwithstanding these two invincible arguments, the defenders of private property were put on the defensive. Why? Because, for one reason, they were willing themselves to embrace the state that would in the end destroy them, thereby proving Lenin's famous saying that for the sake of the immediate profit the capitalist can be trusted to cut his own throat.

Chodorov has no program. All proposals for reform, for return, for counterrevolution, come at last to rest upon political power, and he would distrust political power in the hands of saints.

Civilization must take its chances along with human life. Some things and some people will escape. And even though in the darkness and stillness of universal statism it were forgotten that "only the individual exists", still there is hope if only "it will be whispered that once there was a world built on the faith of the human being in himself and his God". Lastly — and it is wonderful — in all this heartbreaking book there is not one word of hate.

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